

Message Text

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SUBJECT: PROPOSAL FOR "BUY AMERICAN" AUTOMOBILE PROMOTION

1. SUMMARY. ALL FIVE ICELANDIC IMPORTERS OF NEW AMERICAN MANUFACTURED AUTOMOBILES HAVE EXPRESSED STRONG INTEREST IN EMBASSY PROPOSAL FOR COOPERATIVE ADVERTISING CAMPAIGN EMPHASIZING PRESENT COMPARATIVE ATTRACTIVENESS OF PURCHASING AMERICAN CARS. EMBASSY REQUESTS THAT COMMERCE CONSIDER OFFICIAL US PARTICIPATION ON ORDER OAF \$2,000 TO \$3,000 IN SUCH A CAMPAIGN, BASED ON APPROXIMATELY MATCHING CONTRIBUTIONS FROM IMPORTERS. END SUMMARY.

2. ON INFORMAL BASIS EMBOFF DISCUSSED WITH LOCAL AGENTS OF AMERICAN AUTOMOBILE MANUFACTURERS THE POSSIBILITY OF A COOPERATIVE ADVERTISING CAMPAIGN TO TAKE ADVANTAGE OF NEWLY COMPETITIVE POSITION OF US MANUFACTURED CARS. WE FOUND EVERY DEALER - GM CHRYSLER, AMERICAN MOTORS/JEEP, AND TWO REPRESENTING FORD - ENTHUSIASTIC TOWARD IDEA, PARTICULARLY IF USG WOULD PARTICIPATE WITH AT LEAST ONE-SIXTH CONTRIBUTION. WITHOUT DIRECT USG FINANCIAL PARTICIPATION THERE WOULD STILL BE INTEREST IN THE PROPOSAL BUT IT IS LESS LIKELY THAT WE COULD GET PARTICIPATION FROM EVERY DEALER. PROPOSAL HAS BEEN PUT TO IMPORTERS WITH NO ASSURANCES WHATSOEVER THAT US FUNDS WILL BE AVAILABLE AND IN FACT WITH EMPHASIS ON DIFFICULTY OF SECURING SUCH BACKING. NEVERTHELESS, EMBASSY SEES THIS AS EXTREMELY INEXPENSIVE MEANS OF HELPING TO COUNTER LAST YEAR'S \$40 MILLION TRADE DEFICIT WITH ICELAND, PARTICULARLY SINCE PROMOTION DEALS WITH HIGH TICKET ITEMS,
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AND HOPES COMMERCE WILL GIVE IT SERIOUS AND POSITIVE CONSIDERATION,

3. PROPOSAL OFFERS USG OPPORTUNITY FOR "BUY AMERICAN" TYPE OF PROMOTION WITH EXPENDITURES OF ROUGHLY SIX TIMES OUR OWN INVESTMENT. GIVEN PRESENT RELATIVE PRICING SITUATION ON AUTOMOBILES WE BELIEVE MONEY WOULD BE EXTREMELY WELL SPENT. ADVERTISING CAMPAIGN OF THIS MAGNITUDE SHOULD, WE THINK, PRODUCE AN ADDITIONAL SALES THIS YEAR OF AT LEAST 75 TO 100 US MADE CARS (OR AVERAGE OF 15-20 PER DEALER). THUS FOR \$2,000 TO \$3,000 INVESTMENT WE MIGHT EXPECT INCREASED EXPORTS TO ICELAND OF PERHAPS \$225,000 TO \$300,000 OR MORE. FUTURE SALES OF REPLACEMENT PARTS SHOULD ALSO BE CONSIDERED AS WELL AS LIKELIHOOD THAT A PURCHASER WILL EVENTUALLY REPLACE VEHICLE WITH ANOTHER ONE FROM US RATHER THAN EUROPE. WE ALSO BELIEVE THAT IMPACT OF AUTOMOBILE PROMOTION CAN CARRY OVER INTO OTHER FIELDS WHERE US IS AT LAST COMPETITIVE, CALLING THE ATTENTION OF THE GENERAL PUBLIC HERE TO NEW OPPORTUNITIES FOR PURCHASING FROM THE US.

4. WITH OR WITHOUT USG FINANCIAL INVOLVEMENT, WE INTEND TO ORGANIZE MEETING OF IMPORTERS TO DISCUSS DETAILS, SELECT ADVERTISING AGENCY AND ESTABLISH BUDGET. CONSENSUS AT THIS STAGE IS FOR SHORT, E.G. TWO WEEK, NEWSPAPER CAMPAIGN CONCENTRATING ON NEWLY COMPETITIVE POSITION OF US CARS VIS A VIS GERMAN, SWEDISH, BRITISH, ETC. POSSIBLY DEALERS COULD GRANT PERCENTAGE DISCOUNTS FOR LIMITED PERIOD OR COULD INDUCE EIMSKIP (WHICH TRANSPORTS ALL US CARS) TO CUT FREIGHT CHARGES TEMPORARILY. COMMERCE' SUGGESTIONS BASED ON ANY PREVIOUS EXPERIENCE WOULD BE HIGHLY WELCOME. WITH FULL PAGE NEWSPAPER ADS COSTING AT MOST \$450, A BUDGET OF \$12,000 TO \$18,000 CAN HAVE MAJOR IMPACT.

5. IN POST WW11 PERIOD US CARS WERE PREDOMINANT IN ICELANDIC MARKET, BUT HIGH FREIGHT RATES, LOWER PRICED EUROPEAN MODELS, AND SPECIAL FINANCING FOR SOVIET AND EAST EUROPEAN CARS COMBINED TO ERODE US MARKET POSITION. IN 1972 THERE WERE IMPORTS OF 116 DIFFERENT MODELS OF NEW CARS REPRESENTING AT LEAST 37 DIFFERENT FACTORIES IN 11 COUNTRIES. ONLY 19 OF THE 116 MODELS (16 PERCENT) WERE FROM US AND ONLY EIGHT PERCENT OF ALL NEW CARS IMPORTED INTO ICELAND WERE MANUFACTURED IN THE US.

6. FIGURES FOR 1973 CONFIRM THAT THERE IS INDEED A CONTINUING INTEREST HERE IN US CARS, PROVIDED THEY ARE REASONABLY COMPETITIVE

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WHICH THEY NOW ARE. IN FIRST SIX MONTHS OF CY '73 IMPORTS OF NEW CARS FROM US TOTALED 384 (14 PERCENT OF ALL NEW CAR IMPORTS) VS 257 (8 PERCENT) IN FIRST HALF OF CY '72. IN SECOND QUARTER ALONE FOR CY '73 IMPORTS REACHED 290 (15.1 PERCENT) VS 147 (7.8 PERCENT) IN THE SAME PERIOD OF CY '72. WE HAVE ALREADY SOLD 37 PERCENT MORE CARS HERE IN THE FIRST SIX MONTHS OF THIS YEAR THAN IN ALL OF CY '71 AND 79 PERCENT AS MANY AS IN ALL OF CY '72. THESE FIGURES CONFIRM THAT PRESENT CONDITIONS OFFER BEST OPPOR-

TUNITY WE HAVE HAD IN YEARS TO OBTAIN POSITIVE RESULTS FROM
TYPE OF PROMOTION SUGGESTED ABOVE.

7. SITUATION IS EQUALLY PROMISING FOR NEW TRUCKS AND FOR USED
AMERICAN CARS THOUGH WE WOULD NOT PLAN TO PROMOTE LATTER. FIGURES
FOR TRUCKS SO FAR FAIL TO SHOW IMPROVED SITUATION (FIVE IN
FIRST SIX MONTHS OF BOTY CY'72 AND CY'73), BUT GM AGENT HAS
RECENTLY BROUGHT IN SOME 20 SUCH VEHICLES FROM CHEVROLET AND
EXPECTS SUBSTANTIAL ADDITIONAL SALES BY END OF YEAR. FORD HAS
SIMILAR PLANS. ANY SUCH ADVERTISING CAMPAIGN WOULD OF COURSE
INCLUDE TRUCKS.

8. ALL DEALERS CONTACTED EXPRESSED INTEREST IN EARLY MEETING TO
DISCUSS PROPOSAL. WE SUGGESTED WAITING UNTIL WE COULD PRESENT
IDEA TO WASHINGTON FOR CONSIDERATION. EMBASSY WOULD APPRECIATE
RESPONSE FROM COMMERCE AT EARLIEST POSSIBLE TIME. IRVING

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